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January 1982

Hotline:
Industry ups R&D budgets; distributors see few benefits

The exodus South . . . Has the tide turned?

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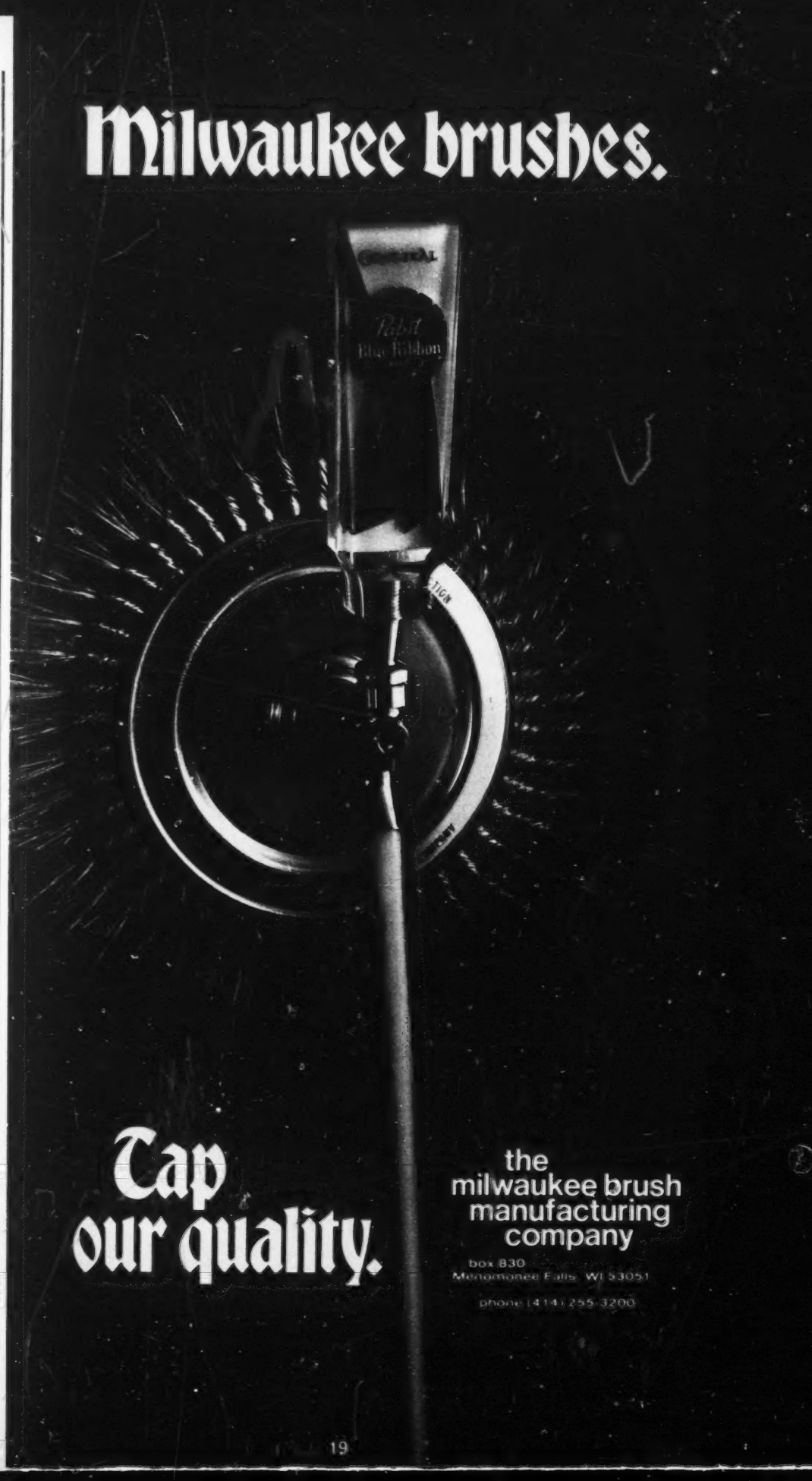
Indicators . . .

Construction trade purchases of maintenance, repair, and operating supplies from industrial distributors were slower than those of any other industry during October, according to the NIDA-SIDA *Industrial Distribution Index*. The index now stands at 147.9, up 0.7 points (0.5%) from September. However, the figure represents a rise of 12.2 (9.0%) from the year-ago mark. Regional figures: the east stood at 150.5, up 3.5 (2.4%) from September and 8.7 (6.1%) from October 1980; the midwestern figure for the month was 133.9, a drop of 1.3 (0.1%) in the month, but still 15.5 (13.1%) above the year-ago mark; the western index was 180.8, off 2.3 (1.3%) from September but up 10.3 (6.0%) from October 1980; and the south posted a monthly rise of 5.4 (3.6%) to 154.3, up 7.9 (5.4%) over the year before . . . The *ASMMA New Order Index* for October dropped 3.0 points (2.6%) from September, putting the new mark at 112.6 . . . The Federal Reserve Board's *Durable Manufacturers Index* dropped to 138.2 in October, down 2.7 points (1.9%) from September . . . The *SIDA Monthly Sales Trend Report* showed that sales in October were off 0.4% from September, but up 3.0% from October 1980. Sales from January to October were up 9.8% over sales from the same period in 1980 . . . The *Wholesale Hardware Sales Index* of the National Wholesale Hardware Assn. for October was down 13.9 points (6.0%) from September, putting the index at 216.3 for the month. That figure, however, was 8.3 (4.0%) better than October 1980. Regional figures: the east, 276.8 for October, down 1.2 (0.4%) but up 17.9 (6.9%) over the year-ago; the midwest, 170.6 in October, down 11.3 (6.2%) for the month but up 2.8 (1.7%) from October 1980; the west, now at 248.7, down 8.6 (3.3%) for the month but up 11.2 (4.7%) over the year-ago; and the south, at 208.0 for October, down 36.1 (14.8%) from September but up 4.6 (2.3%) from October the year before . . . The National Welding Supply Assn.'s *Welding Supply Index* declined in October, registering 160.8, or 9.7 points (5.7%) lower than the record-setting September mark . . . The Material Handling Institute reports bookings for August of $324.0 million, down 25.2% from the month before, 13.3% lower than the year-ago figure. August shipments were down 10.3% from July. □



October sales skid

Continuing last month's downward momentum, October sales slid drastically from earlier highs to reach levels only slightly ahead of 1980 totals.

Monthly figures show that specialists marginally led in sales activity with a 5% gain over the previous year, compared to general liners' 4% upturn.

However, regional totals show an uneven picture. Distributors in the East South Central, Massachusetts, Texas, Michigan and New York City report double-digit gains for October of this year while Chicago and upstate New York report double-digit losses.

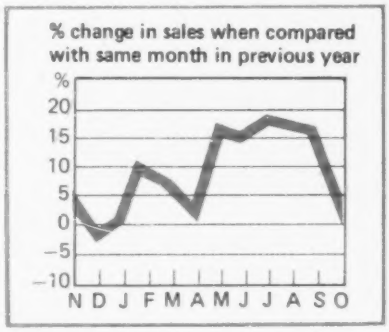
Year-to-date sales nationally demonstrate that specialists are outdistancing the 8% projected inflation rate, and that general liners are falling slightly behind. Totals are 9% and 5% respectively.

Spectacular growth continues in the West South Central with a 25% hike for the year-to-date. However, the East South Central posts a 1981 sales increase of 15%, with specialists leading the way with a 24% jump.

But for distribution overall, October sales marked the beginning of the officially declared recession. According to the Dept. of Commerce, leading economic indicators plunged 1.8% for the month, foreshadowing a lengthy recovery.

RECEIVABLES*	Oct. 1981		Oct. 1980	
	Gen.	Spec.	Gen.	Spec.
New England	43.9	50.0	41.0	45.5
Middle Atlantic	41.0	47.6	38.3	45.0
South Atlantic	35.7	35.7	33.8	35.2
East North Central	38.5	40.4	38.2	37.9
East South Central	39.0	44.7	40.5	42.9
West North Central	38.6	44.2	36.5	37.8
West South Central	45.0	41.8	42.0	41.7
Mountain	41.9	44.6	37.6	43.1
Pacific	34.6	36.4	32.0	41.0
National	39.8	44.5	37.8	43.0

*Average days outstanding



A dramatic plunge from earlier peaks puts sales only marginally ahead of 1980. . .

SALES BY REGIONS (% change)	Oct. '81 vs. Sept. '81			Oct. '81 vs. Oct. '80			10 mos. '81 vs. 10 mos. '80		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−11	+ 9	− 5	− 4	+19	+ 3	+ 3	+ 9	+ 5
Connecticut	−25	+29	+ 2	− 6	−16	− 5	+ 3	+ 3	+ 3
Massachusetts	+ 3	− 0	+ 2	+ 2	−21	−10	+ 7	+12	+ 9
MIDDLE ATLANTIC: NY, NJ, PA	+17	+ 4	+ 9	+18	− 2	− 8	+ 7	+ 5	+ 6
New York Metropolitan Area	+11	+ 4	+ 6	+18	+ 7	+10	+10	+ 4	+ 6
Upstate New York	+ 3	− 4	− 2	− 3	−13	−10	+ 4	+ 3	+ 3
Pennsylvania	+23	+11	+18	+22	− 2	+13	+ 6	+10	+ 8
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	− 5	+ 7	+ 0	+ 1	+ 6	− 3	+ 6	+14	+10
	− 8	− 1	− 6	− 3	− 7	− 4	− 2	+12	+ 2
Georgia-Florida	− 2	+ 3	+ 3	+ 4	+ 7	− 6	+13	+12	+13
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+ 0	+17	+ 3	− 1	+13	− 5	+ 0	+10	+ 4
Indiana	+ 5	+15	+ 7	+ 7	+10	+ 7	+ 0	+ 8	+ 4
Wisconsin	− 2	+15	+ 5	+ 4	+28	+14	− 1	+10	+ 3
Chicago	−14	+24	+ 5	−23	−12	−18	−16	− 7	−12
Michigan	+11	+15	+13	+13	+ 7	+10	+ 5	+ 9	+ 7
Ohio	− 4	− 4	− 4	− 6	− 6	− 6	− 7	+10	− 2
EAST SOUTH CENTRAL: AL, MS, KY, TN	+16	+ 6	+13	+22	+12	+16	+10	+24	+15
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+ 7	− 3	+ 1	+ 6	−10	− 3	+ 7	+ 1	+ 4
WEST SOUTH CENTRAL: AK, LA, OK, TX	− 3	+10	+ 3	+ 3	+16	+ 9	+23	+27	+25
Texas	−26	+ 8	− 6	+ 1	+21	+14	+27	+29	+28
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	− 3	+ 4	− 1	+13	−15	+ 6	+12	−11	+ 6
PACIFIC: CA, OR, WA	+ 5	−13	− 3	+ 0	− 8	− 3	+ 2	+13	+ 7
L.A.-San Diego	+ 3	+ 6	+ 4	− 3	− 1	− 2	+ 5	+11	+ 7
Oregon-Washington	+ 6	−20	− 7	+ 1	−10	− 5	+ 1	+ 4	+ 3
U.S. TOTALS	+ 2	+ 5	+ 3	+ 4	+ 5	+ 4	+ 5	+ 9	+ 7

The exodus South

Has the tide turned?

The story of migrations from the economically besieged Snowbelt to warmer climes is a phenomenon of the last two decades. From 1960 to 1980, population in the south swelled from 58.5 million to 79.6 million. Industries sprang up overnight from Miami to Silicone Valley in northern California. In 1980, some 500 companies relocated to Louisiana alone. Currently, more than 450 of the Fortune 500 have offices in Atlanta. But has the unparalleled upsurge in Sunbelt economic activity peaked? Many northerners say yes, and cite the spiraling wage and tax rates that are rapidly closing the cost-of-doing-business gap. Stalwart southerners, however, disagree, and claim that the nationwide recession is only temporarily bogging down regional growth.

Oil, gas and growth . . .

Texas and Oklahoma make up a sizable part of the Sunbelt. But they must be treated separately. Business in these oil centers of the U.S. is almost too good to be true, particularly when much of the nation is bogged down by recession.

Alvin Thompson, sales manager for Mideke Supply Co., Oklahoma City, reports that some of the oil rig manufacturers in his area are backordered for five years. This is a familiar story around the region, prompting one southeast distributor to remark, "We should have such problems."

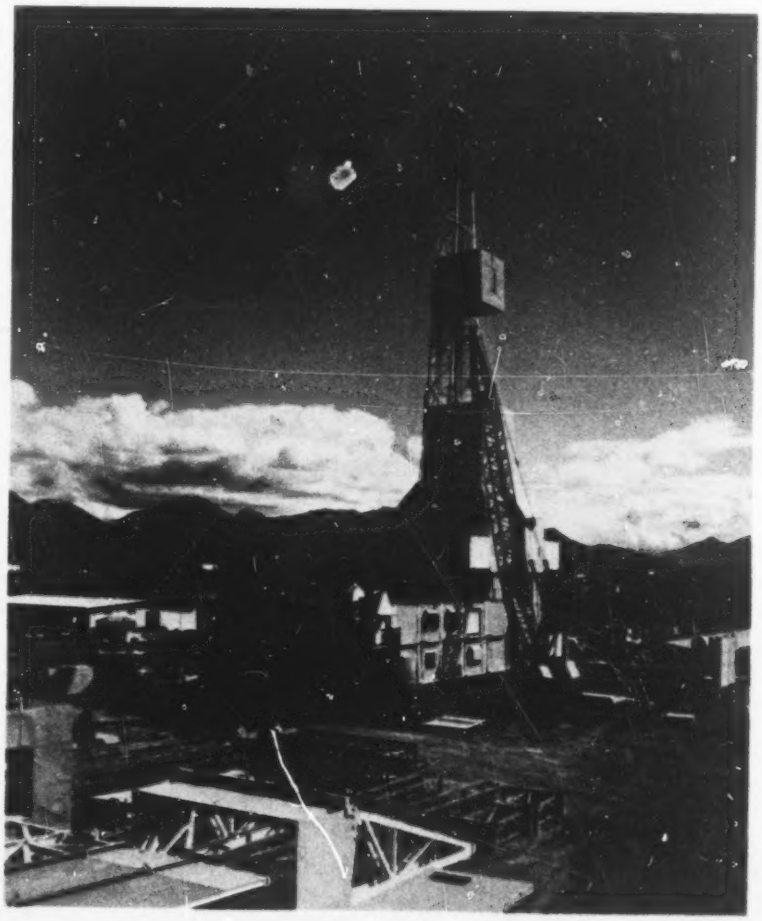
The five branches of Radcliff Supply Co., headquartered in Amarillo, Texas, span the western half of the state, including the Panhandle, Odessa and El Paso. While riding the crest of an energy wave, president Rex R. Radcliff explains that new business is providing a full mix of manufacturing.

"We sell a lot of safety equipment for the oil and gas industries, but also hose and fittings and rubber goods. Corning put in a fiberglass plant, and a new copper refinery was built in Amarillo. We've got a good balance of industries, except automotive, which I thank God for," Radcliff commented.

The latest Radcliff branch to open was the one in Odessa. Starting up last July, the outlet outpaced in growth the 12% company-wide average. "That's to be expected at first. Sales in Odessa will even out once the branch reaches full market potential. Overall, I'd say that business is right under a booming level," Radcliff estimates of the specialty distributorship grossing $6 million annually.

And he believes the trend will continue. "People need energy to keep warm in the winter and cool in the summer. Anyone can put off buying a new car or furniture. But they still have to cook and heat their homes," he explains.

Even with a virtually recession-proof economy, Radcliff is holding off on further expansion at present. "Some areas look tempting, but we've decided to work internally on operations. At the moment we're putting in a new computer. Interest rates are too high to open more branches. I enjoy putting money into my company, not taking it out," he said.



Clouds are forming over the Sunbelt. The once-great immigration flood of the past two decades has dwindled to a trickle. Although experts are split as to whether growth for the region has peaked or is merely taking a breather while waiting out the 1981-82 recession, it's clear that some northerners are reconsidering their positions and staying put.

In the years 1970 to 1980, the populations of Baton Rouge, Houston, Austin, Tampa and Atlanta all grew between 30% and 50%. Migration has swelled the census rolls of Texas and Florida by more than a million, representing in Florida a fourth of the total state population. While a net migration to the Sunbelt persists, among many businessmen in traditional manufacturing centers the ardor to pull up stakes has cooled.

Although he maintains that significant business opportunities still exist in the areas of metalworking and manufacturing, economist Bernard Weinstein of the University of Texas explains that tax and labor cost increases are making "the whole nation more homogeneous," as the low-cost regions begin to catch up with their highest-cost neighbors.

Supporting data from the U.S. Bureau of the Census show that some of the most startling jumps in state and local taxes, critical factors in business relocation, have occurred in New Mexico, Wyoming, South Carolina, Nevada and Louisiana. Among the most stable areas have been New York, Vermont, Connecticut and Illinois. Put another way, the state and local tax per capita in Illinois at $706.67 is not far above Oklahoma's figure of $659.99, and below Louisiana's total of $716.32.

Ken Aldrich, vice president of business and economic development for the Indiana Chamber of Commerce, is one who, perhaps predictably, remains bullish on the north and midwest, believing the southern migration flame is burning out.

"I'm convinced," Aldrich said, "there is a trend against movement to the south. I spent most of the summer of 1980 in the southwest, investigating business conditions for the chamber of commerce. The reasons for the out-migration in the 60's and 70's are beginning to reverse, or at least achieve a stage of equilibrium."

To prove his case, he says the inexpensive energy which proved previously to be a substantial lure to businessmen is a thing of the past as environmental groups in most southwestern states have set up blockages against continually enlarging energy capacity. As Sunbelt wage rates escalate, cheap labor disappears. Water resources, an essential for manufacturing expansion, are, according to Aldrich, in short supply and rapidly becoming a critical issue.

"The list goes on and on," Aldrich notes. "But in our state, for instance, we have a natural manufacturing climate with plenty of natural resources. Yes, the trend

of moving out of our region is going to reverse, I think early in the decade."

Business climate improves

To retain and lure business back into the regions hardest hit by the southbound exodus, northern states are taking tips from their Sunbelt counterparts and passing legislation conducive to business. In Indiana, 19 bills were passed last summer, including appropriations for roads and sewer construction and tax abatements for new businesses. To upset the southern applecart, traditional manufacturing centers in the north and northeast are taking an aggressive development stand.

"The most important thing," Aldrich continues, "is that we realized we can control our own business destiny. As basic as it sounds, that's where we had to begin. Before 1980 we were passive. Now we have aggressive programs to give us an industrial edge, such as providing funds for vocational education."

More than that, representatives of northern states contend that with their far greater experience in industrialization and planning for growth, the scales will tip in their favor.

Aldrich summed it up this way: "Growth in the south occurred so rapidly that it ran away from the governments, and growth has become a social issue. Many local elections are based on growth/no-growth issues. Some communities in Colorado have established no-growth policies by, for example, setting rigid sewer limits. That means no more construction is allowed. Growth surged without any concrete planning most of the time, and left a bad taste in the mouth of many who experienced it. In terms of market, those companies that flew down south in the 70's for market penetration have already achieved it, and now it's not growing as fast. So they're looking for next-generation strategies, and we're betting they will set their sights on targets here."

Pace slackens

James E. Montgomery, president and CEO of the Gage Co., Pittsburgh, agrees that the pace of Sunbelt growth has slackened, but sees little chance of remigration.

"The exodus is not really continuing," said this general liner with branches scattered throughout Pennsylvania, Ohio, West Virginia, Maryland and Michigan. "If you think back over the past year or two, you're not experiencing the business shifts today that were once rampant. I suspect this has a lot to do with the labor market in the Sunbelt. Manufacturers moved down there because they thought they could get away from union activity and high wages. But it's just not worked out that way. Cost of living and wages have been soaring in the south."

Montgomery asserts that spiralling labor costs in the Sunbelt have combined with more realistic union demands in the north to

North *vs.* south? Two viewpoints . . .

As the debate heats up over which part of the country is more conducive to manufacturing, ***ID*** talked with two companies; Carmet, which is making a move from Detroit to Spartansburg, S. C., and the Timkin Co., a steel mill that decided after exploring options in the south to remain in Canton, Ohio.

Carmet's vice president and general manager, David H. Fenton, explains that the reason for the move from Michigan to South Carolina was based on economics.

"We needed to expand, and unfortunately the cost of doing business in the area we were in prohibited it. A lot of factors go into this, including wages, worker's compensation and fringe benefits. In all these categories, Michigan is just about the most expensive place in the country, depending on whose figures you use. But wages aren't the only criterion, and other operating expenses must be taken into consideration," Fenton said.

Figures from government agencies show that the average weekly manufacturing wage in Michigan is $375.40, while in South Carolina it's a mere $222.14. Although energy costs per million BTU's are roughly the same in both states, state and local taxes per capita are substantially less in South Carolina than Michigan. The figures are, respectively, $615.24 and $958.84.

"Our operating costs will actually be lower in the new facility," Fenton adds. "This will allow us to build inventories and provide better deliveries."

Staying put

Even with the apparent financial advantages of moving south, Donald Eagon, a spokesman for the Timkin Co., decided to stay put. When a new steel complex was needed, the company investigated the south, but then chose to remain in Canton.

"We looked at sites in Virginia and ruled them out, as well as in Tennessee and Kentucky. We do have plants in South Carolina, and North Carolina but opted for Ohio, largely because the state provided inducements such as tax abatements and road improvements, and it became more economical in the long run," Eagon said.

Also important are the nature of the complex and the labor force that will be needed to run it. Melting, rolling and finishing will be handled by the new $500-million facility. The high-technology aspect of the work requires highly trained personnel.

"The state offered to provide funds and some manpower for instructors, as well as a building to train our people in. That's important. The work we'll be doing will be highly sophisticated, and the demand for retraining will be high," Eagon added. He expects the plant to be operational, turning out steel and bearings for the aircraft, energy, mining and aircraft industries, by the spring of 1985.

stabilize migration patterns. To illustrate the point, he cited the case of the Timken Co., a steel complex headquartered in Canton, Ohio.

"The Timken union wouldn't make any concession in their demands and pursued the traditional labor policies regarding salaries and fringes. But then the company threatened to build their new steel complex in the south, and the union rethought its position. Unions here recognize now that they can't make some of the demands they've made in the past if manufacturers are going to stay in business," Montgomery explained.

However, at the same time he said that the much-touted move back to the north is outside his sphere of experience.: "I just haven't seen much evidence of union workers returning from the Sunbelt, other than a few comments here and there in the newspapers. Neither have I seen companies returning."

Harry Jones, president of the Airoyal Co., Maplewood, N.J., and the Fluid Power Distributors Assn., concurs. He said, "I might have noticed a slowdown in the number of manufacturers going south, but frankly, I don't know of anyone who's come back."

Located in a suburb of Newark, Airoyal is smack dab in the middle of one of the most depressed business areas along the east coast. Newark and one of its sister cities, Elizabeth, are offering tax abatements to attract new business. Additionally, the state of New Jersey has set up the Economic Development Administration, which finances expansions with state funds.

"Setting up EDA is a very positive step," Jones comments, "but it's the only real measure that I know of. The tax incentives look good, but many really can't take advantage of them. To use us as an example, if I relocated into downtown Newark, I'd lose 80% of my staff. Our people don't want to go into the city to work. Most already have a 10-mile commute and dislike the inner cities anyway. So tax incentives don't mean much to firms like ours."

Recession a factor

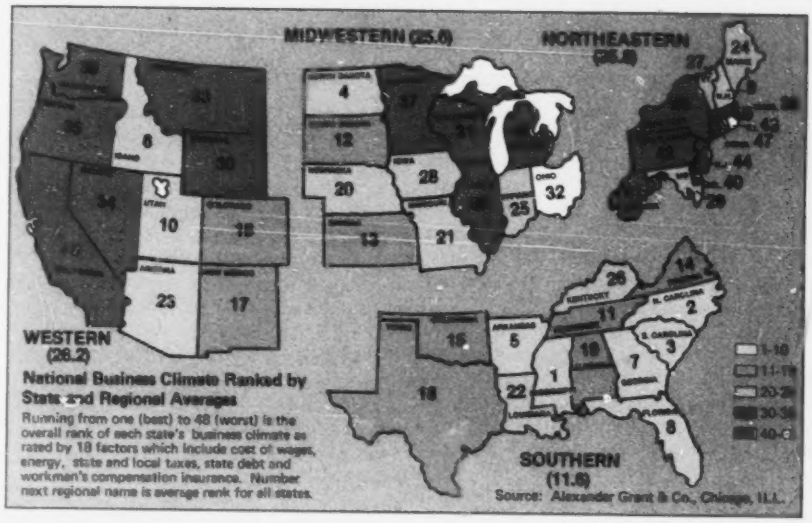
Whether or not one agrees that the Sunbelt has lost much of its attractiveness and that interest in moving there has been permanently clipped, it's hard to deny that virtually all enthusiasm to expand anywhere has been dampened by recession.

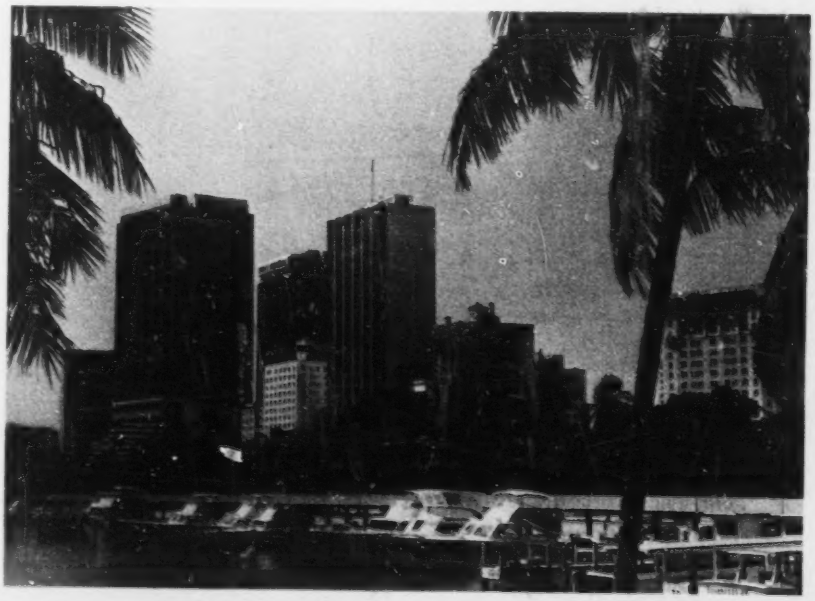
Gary Buffington, executive vice president of the Southern Industrial Distributors Assn., comments, "What you find economically in the south is what you're going to find around the rest of the country. Money is tight and business is off. With the exception of pockets like the southwest, which is oil-rich, business is soft everywhere. Companies don't have the funds to migrate even if they want to. I feel very strongly about the prospects of growth of our region. Business may be off, but it's still better than in most parts of the country. And remember, many distributors here are feeling the effects of recession for the first time in their histories."

Considering the current recession merely a temporary dark cloud on the horizon of the Sunbelt's growth, Jay Marx, president of Southern Hardware Co., Ltd., Monroe, La., explained the situation this way: "What concerns me is the recessionary factors that have just begun filtering into our area. The next three or four months will be rough, and that time will start separating the men from the boys. I'm experiencing a slight slowing down in receivables, and am getting fewer large orders. I know of a number of very old, established companies that are facing bankruptcy right now.

"Everything isn't peaches and roses, but it's not all that bad, either. Within the past year three new companies have moved into the Monroe area, including a chemical processing plant. Our problem is the economy in general. Take interest rates. The difference between 8% and 20% on a $100,000 loan is $12,000. That's the difference between a good year and a bad one for a small company. It's scary, and something over which we have no control."

Even so, Marx is positive about the future. In a region dependent historically upon agriculture and the paper mill industry, he sees little change in the industry mix. Instead, he envisions continued, if slow, growth. "I'm a CPA and were I in Boston and a client came to me wanting advice as to where to build a plant, I'd have to point him south. The northern states may be trying to sweeten their pie, but we sim-


MIDWESTERN (25.0)
NORTHEASTERN
WESTERN
(28.2)
SOUTHERN
(11.6)
National Business Climate Ranked by State and Regional Averages
Running from one (best) to 48 (worst) is the overall rank of each state's business climate as rated by 18 factors which include cost of wages, energy, state and local taxes, state debt and workmen's compensation insurance. Number next regional name is average rank for all states.
Source: Alexander Grant & Co., Chicago, Ill.



ply have more to offer," he continued.

If some areas in the Sunbelt are beginning to feel the first ripples of recession, others have been staring it in the face for some time. One such distributor is Fred C. Williamson Jr., president of Chattanooga Saw and Supply Co., Inc., Chattanooga, Tenn. He saw sales start sliding in May 1980. Then the downward pressure intensified. Rockwell closed its foundry; 3M closed a plant; the Tennessee Valley Authority shut down construction in one facility, and another of the distributor's customers went bankrupt. Of Chattanooga Saw and Supply's top 20 accounts, four went under in a single year.

Hit hardest

"Southeastern Tennessee is dependent on the foundry industry, which has been hard hit," said Williamson. "Businesses around here do job work for the automotive and trucking industries, and I don't have to tell you what's happened there. Also, they make water main lines and valves, but with housing in its current condition, that segment has been going down. Western Engineering, which is big here and works with the nuclear business, has not had a new order in years. It's been laying off people each Friday for the past three weeks. It's the first time we've been hit this hard. During the 1974-75 recession, we felt a few side effects, but nothing like this."

He describes his area as a relatively old, heavy-industry region. Consequently, it's much more highly unionized than others. "There's no question in my mind," he comments, "that the reason 3M shut down was because of the unions. They have plants in Georgia and Florida, and they simply consolidated them. Labor is expensive here, and as far as growth is concerned, we've peaked. South Carolina and other states may still be making it, but not this area."

Williamson is experiencing what many northern distributors have for years, attenuating markets and sagging sales. He is also learning the art of survival that his northeastern counterparts already have mastered. Since last March he's reduced his staff by three through attrition to a trim 28 people. A cutting tool specialist grossing $3 to $4 million annually, he witnessed a sales drop-off in 1980 from 1979. In 1981, he managed to steady the sales helm, but found that he had to enter the rough and cold waters of price competition and cut inventories. Expansion into new territories, such as westward to central Tennessee with its relatively strong economy, was necessary.

Another area previously immune to recession but which is now feeling the sting of layoffs and economic uncertainty is northern California's Silicone Valley. Faced with rampant price cutting and increased competition from Japanese imports, the prosperous residents of the high-tech area dependent upon semiconductor production find themselves much in the same situation as those in Detroit.

With price reductions forced by overseas competition running at approximately 30% per year, the struggle for survival in the Silicone Valley is claiming casualties almost daily. Itel Corp. recently asked its management to stretch its workload from 40 hours weekly to 50, without any increase in pay, and is delaying opening a new $50-million plant. Mostek Corp. has laid off roughly 5% of its workforce. Texas Instruments, headquartered in Dallas, laid off 3% of its employees, and will lose about $25 million this year on semiconductor sales.

With semiconductors used in everything electronic, Itel's vice chairman, Robert N. Noyce, remarked that sales for this industry provide the key for the state of the economy. One distributor added that he wouldn't be surprised if the area saw a repeat of the 1974-75 recession, when manufacturers cut spending by as much as 50% and laid off a full 33% of their work forces.

More up than down

But even if the Sunbelt is acquiring some of the pockmarked features of the Snowbelt, the outlook for its overall complexion remains clear. Lending credence to this forecast are the comments of James E. Ketter, president of Milwaukee's Tools and Abrasives, Inc., who said: "I believe that growth will definitely continue in the Sunbelt. Manufacturers around here may not be closing down right and left, but they're not growing, either. When they expand, they move south. Our market area is southeast Wisconsin, and there has been some shrinkage here, although we've managed to keep our sales ahead of a year ago through developing new customers and relying more on telephone sales. But let's face it, taxes in Wisconsin are terrible. In addition to high property taxes, we've got an 11% income tax, which was just lowered to 10%—a move in the right direction. But no one from the city or county has stepped forward offering help, and metropolitan Milwaukee has had a negative population growth for years."

"It's a bit hazy in our area because of the economy we're facing," comments Ray M. Prichard, senior vice president, Moore-Handley, Inc., Birmingham, Ala. "Sales in the southeast are flat. However, we shouldn't let the fact cloud our thinking. The rate of industrial growth in the Sunbelt will continue and will outstrip the Snowbelt. I anticipate that a flat economy will continue for us though the first and maybe second quarters of 1982. Then look for vigorous expansion."

Prichard's rationale is simple, and is reflected throughout the south: Different industries have moved to the region, and those largely are not dependent on the vagaries of the U.S. economy. Datsun, Sony, Volkswagen and Michelin are among those that have opened manufacturing facilities in the geographic south.

Such new industries will affect distributor operations in a variety of ways. For one, Prichard thinks, alteration of stock for general liners may have to become more specialized to meet new demands.

A more fundamental consideration though, is the people necessary to man the machines and service the accounts. And here, as in other areas, Sunbelt businessmen believe they have the special edge.

Education on the rise

Sunbelt businesses and governments picked up the educational gauntlet when industries began their wholesale sweep into the region more than a decade ago. Prichard believes that vocational training, offered in many states as well as ID programs on regional campuses, have proved effective inducements.

"Our work force is simply better than in most areas," he flatly stated, "because of state participation in technical training programs including machine shops, metalworking and welding. This marks a change. What we had in the past were really no more than laborers. But now a trained, skilled workforce will become a strong inducement. For one thing, it won't take a manufacturer as long to train people for the branches it wishes to open in the south. Nor will they have to take their workers away from branches they have already operating to get a new plant on its feet, which can take a very long time."

Ronald G. Raymond, president of J.G. Christopher Co., Jacksonville, Fla., relates an incident which typifies Sunbelt educational attitudes. Comparatively new to his area are such industrial giants as Bendix Corp. and Burroughs. When the former was

setting up its move, the city's junior college provided special vocation training courses tailored to Bendix's needs. "Bendix was pleased, to say the least," Raymond notes.

As the economic tone of the area continues changing—from pulp and paper processing to manufacturing and defense—educational programs have kept pace. Special-skills centers now dot Jacksonville.

"Labor here is available and qualified. And as my accounts become more technically oriented, as a distributor I'll have to provide them with more product expertise and support. But we'll meet the challenge. People here have a strong work ethic, and are willing to give a day's work for a day's pay. If northern workers don't change their attitudes, they're going to continue to lose the industry that feeds them," Raymond concluded.

F.P. Fensel, president of F.P. Fensel Supply Co., Wilmington, N.C., sees many of the same changes in his area, and is meeting them the same way.

"In the past 10 years several chemical industries have moved into our area including Du Pont and Hercules. A good number of electrical, computer and pharmaceutical plants have moved into the Raleigh area, and some of these have been foreign companies either expanding or taking over existing structures. We've had to change our selling procedures to provide more in-depth knowledge," Fensel explained.

When Fensel was asked how the influx of foreign companies, mainly in the pharmaceutical and chemical industries, has changed his operations, he replied that the effects have been minimal.

"We deal with newer customers," he said, "In much the same way as we always have. The foreign companies blend in—they learn how to do business in the U.S. because we all work pretty much the same way. They have to conform to us rather than the other way around."

The Top Ten

According to the Bureau of Labor Statistics, seven of the most favorable industrial locations as rated by average weekly manufacturing wage are Sunbelt states.

Mississippi	$205.82
North Carolina	$207.47
Rhode Island	$212.13
Arkansas	$217.46
Georgia	$220.04
South Carolina	$222.14
New Mexico	$228.10
New Hampshire	$228.63
Maine	$234.03
Tennessee	$235.30

Like many Sunbelt distributors confronting changing markets, Fensel has had to alter his inventory to accommodate new industries, but maintains that the changes haven't been great because he's a general liner. However, a rethinking of his market strategy was called for.

Part of Fensel's new marketing strategy is to use his outside salesmen largely as consultants, breaking the ice and building the company image. Technical expertise is provided by the inside salesmen.

"Salesmen have to be trained more extensively than before, and our suppliers work with us on that score. An outside salesman can give the customer a basic idea of what he'll need, but when it comes to actually placing the order, an inside man takes over with precise knowledge. To fill these kinds of gaps, several of the colleges in our area are offering four-year programs in industrial distribution. I haven't used any of the graduates yet, but I certainly intend to. That's where a whole lot of training will be forthcoming, and it will be used extensively," Fensel concluded.

Summing up the picture of the Sunbelt, Jim Horne Jr., president of Jim Horne Mill Supplies, Albany, Ga., offered these remarks:

"The vocational schools are taking a leading role in producing the skills required by the manufacturer establishing business in the Sunbelt. Manufacturing managers work hand in hand with the schools by setting up prototype machines for people to learn on. The schools are taking raw, untrained people and transforming them into the skilled staff a manufacturer needs.

"If we continue to combine this with doing our part in labor, in energy, etc., we will continue to create as good a business climate in this decade as we did in the past. You only get out of business what you are willing to put into it. We put more into it than other areas, and make it just that much easier for manufacturers to establish themselves here." □

Table 1 — Index of inflation for 32 key industrial product groups

Source: INDUSTRIAL DISTRIBUTION and Bureau of Labor statistics 1967 = 100)

□ index □ multiplier

	Dec. 1967	Dec. 1968	Dec. 1969	Dec. 1970	Dec. 1971	Dec. 1972	Dec. 1973	Dec. 1974	Dec. 1975	Dec. 1976	Dec. 1977	Dec. 1978	Dec. 1979	Dec. 1980
Industrial oils	—	—	—	—	—	—	—	177.6	171.5	168.0	190.9	200.3	275.1	327.2
	—	—	—	—	—	—	—	.5428	.5241	.5134	.5834	.6122	.8408	
Prepared paint	102.6	106.0	110.1	112.8	115.9	118.2	128.6	161.8	170.2	177.3	185.9	199.1	210.7	241.7
	.4245	.4386	.4555	.4667	.4795	.4890	.5321	.6694	.7042	.7336	.7691	.8237	.8717	
*Rubber belts & belting	103.6	109.7	119.1	129.5	135.0	138.5	144.4	165.8	176.9	196.3	207.5	217.7	238.1	271.3
	.3819	.4043	.4390	.4773	.4976	.5105	.5323	.6111	.6520	.7236	.7648	.8024	.8776	
Other rubber products	103.1	105.4	110.9	116.2	118.3	119.7	124.8	148.6	155.7	169.9	176.5	189.9	216.2	236.4
	.4361	.4459	.4691	.4915	.5004	.5063	.5279	.6286	.6586	.7187	.7466	.8033	.9146	
Plastic products for construction	—	—	100.0	95.2	93.8	93.3	94.8	132.3	121.0	129.4	134.7	137.3	148.3	153.7
	—	—	.6506	.6194	.6103	.6070	.6168	.8608	.7872	.8419	.8764	.8933	.9649	
Finished steel products	100.8	103.0	110.0	123.8	128.0	130.2	135.4	192.0	201.6	219.7	236.6	261.1	288.5	311.4
	.3237	.3308	.3532	.3976	.4110	.4181	.4348	.6166	.6474	.7055	.7598	.8385	.9265	
Wire & cable	100.6	96.8	118.3	120.7	116.1	116.2	133.3	173.4	146.7	150.7	151.0	161.9	203.0	214.0
	.4701	.4523	.5528	.5640	.5425	.5430	.6229	.8103	.6855	.7042	.7056	.7565	.9486	
Copper wire & cable	—	—	100.0	119.1	114.7	114.8	134.6	172.9	142.3	145.7	145.5	155.2	197.1	207.6
	—	—	.4817	.5737	.5525	.5530	.6484	.8329	.6855	.7018	.7009	.7476	.9494	
Aluminum wire & cable	—	—	100.0	107.0	110.1	110.7	104.3	153.1	161.0	168.4	174.9	186.6	219.6	234.0
	—	—	.4274	.4573	.4705	.4731	.4457	.6543	.6880	.7197	.7474	.7974	.9385	
Builders hardware	101.2	103.1	107.8	126.2	117.7	121.5	127.5	156.3	159.1	169.2	178.9	195.7	215.6	242.7
	.4170	.4248	.4442	.5200	.4850	.5006	.5253	.6440	.6555	.6972	.7371	.8063	.8883	
*Hand tools	102.2	107.0	113.9	119.8	125.3	130.1	137.0	170.3	185.7	196.5	210.2	231.4	256.7	291.8
	.3502	.3667	.3903	.4106	.4294	.4459	.4695	.5836	.6364	.6734	.7204	.7930	.8797	
*Misc. metal products	100.4	103.9	109.3	127.7	120.9	124.8	134.7	176.7	182.8	191.1	202.6	221.1	239.9	258.4
	.3885	.4021	.4230	.4942	.4679	.4830	.5213	.6838	.7074	.7396	.7841	.8557	.9284	
Industrial safety eq.	—	—	—	—	—	—	—	—	—	—	—	103.0	111.4	117.9
	—	—	—	—	—	—	—	—	—	—	—	.8736	.9449	—
*Bolts, nuts, etc. (fasteners)	101.1	109.4	117.9	125.1	126.2	132.2	142.8	198.8	200.2	200.5	205.6	220.3	240.1	251.0
	.4028	.4359	.4697	.4984	.5028	.5267	.5689	.7920	.7976	.7988	.8191	.8777	.9566	
*Power driven hand tools	101.4	104.6	112.6	118.9	117.3	117.5	117.5	138.0	139.8	145.7	154.8	166.3	180.3	199.0
	.5095	.5256	.5658	.5975	.5894	.5904	.5904	.6935	.7025	.7322	.7779	.8357	.9060	
Welding machines & eq.	100.8	102.4	108.6	119.1	116.8	121.8	128.7	182.5	186.6	189.8	201.7	214.6	231.5	249.1
	.4047	.4111	.4360	.4781	.4689	.4890	.5167	.7326	.7491	.7619	.8097	.8615	.9293	
*Cutting tools & accessories	101.8	105.3	110.9	114.9	120.6	124.1	127.6	156.5	170.0	185.4	198.3	217.2	233.6	240.6
	.4231	.4377	.4609	.4776	.5012	.5158	.5303	.6505	.7066	.7706	.8242	.8840	.9710	
Precision measuring tools	100.8	103.2	105.0	135.8	109.1	110.2	114.0	129.2	140.7	144.4	155.8	172.9	190.9	214.3
	.4704	.4816	.4900	6337	.5091	.5142	.5320	.6029	.6566	.6738	.7270	.8068	8908	
*Abrasive products	101.8	105.3	110.9	114.9	120.6	124.1	127.6	156.5	170.0	185.4	198.3	212.7	233.6	261.5
	.3893	.4027	.4241	.4394	.4612	.4746	.4880	.5985	.6501	.7090	.7583	.8134	.8993	
Metal cutting machine tools	—	—	—	—	100.0	121.5	133.9	167.2	184.4	197.6	217.0	247.6	288.2	330.6
	—	—	—	—	.3025	.3675	.4050	.5057	.5578	.5977	.6564	.7489	.8717	
Metal forming machine tools	—	—	—	—	100.0	126.7	138.1	180.3	202.8	217.6	242.6	282.3	318.1	363.2
	—	—	—	—	.2753	.3488	.3802	.4964	.5584	.5991	.6680	.7773	.8758	
Pumps,compressors & eq.	102.9	105.4	112.4	150.5	122.2	124.8	131.7	179.5	191.1	203.5	218.3	236.1	259.1	304.7
	.3377	.3459	.3689	.4939	.4011	.4096	.4322	.5891	.6272	.6679	.7164	.7749	.8503	
Fluid power eq.	—	—	—	100.0	102.7	105.0	107.8	129.6	139.6	147.4	157.3	168.1	184.5	211.3
	—	—	—	.4733	.4860	.4969	.5102	.6133	.6607	.6976	.7444	.7956	.8732	
*Industrial materials handling eq.	101.4	106.2	111.5	117.0	121.2	123.7	129.8	159.4	176.1	189.0	201.7	220.5	240.6	261.7
	.3875	.4058	.4261	.4471	.4631	.4727	.4960	.6091	.6729	.7222	.7707	.8426	.9194	

[continued on page 102]

(Table 1 continued)

☐ index ☐ multiplier

	Dec. 1967	Dec. 1968	Dec. 1969	Dec. 1970	Dec. 1971	Dec. 1972	Dec. 1973	Dec. 1974	Dec. 1975	Dec. 1976	Dec. 1977	Dec. 1978	Dec. 1979	Dec. 1980
*Mechanical power transmission eq.	101.0 .3615	104.3 .3733	110.4 .3951	119.0 .4259	121.0 .4331	126.9 .4542	133.0 .4760	166.6 .5963	177.8 .6364	189.7 .6790	204.1 .7305	221.8 .7938	245.8 .8797	279.4
*Valves & fittings	101.0 .3406	103.0 .3474	108.7 .3666	114.9 .3875	120.4 .4061	121.4 .4094	132.6 .4472	188.5 .6358	202.4 .6826	208.5 .7032	220.0 .7420	241.8 .8155	268.4 .9052	296.5
Ball & roller bearings	100.1 .3588	102.4 .3670	107.0 .3835	95.4 .3419	115.3 .4133	132.9 .4763	123.4 .4423	159.9 .5731	168.4 .6036	183.1 .6563	196.2 7032	213.2 .7642	237.7 .8520	279.0
Plain bearings	100.1 .3687	105.6 .3890	118.8 .4376	169.3 .6236	124.3 .4578	130.8 .4818	164.2 .6048	182.0 .6703	187.6 .6910	180.4 .6645	196.9 .7252	230.3 .8483	248.9 .9168	271.5
Wiring devices	100.7 .3631	106.1 .3826	112.2 .4046	135.7 .4894	122.6 4421	124.7 .4497	131.9 .4757	177.5 .6401	187.5 .6762	194.5 .7014	205.9 .7425	227.6 .8208	257.0 .9268	277.3
Electrical instruments	105.1 .4986	1075 .5100	114.4 .5427	121.1 .5745	126.0 .5977	128.4 .6091	130.0 .6167	151.1 .7168	162.8 .7723	169.2 .8027	178.3 .8458	186.7 .8857	191.5 .9084	210.8
Electric motors	101.9 .3988	103.5 .4051	110.8 .4337	99.5 .3894	115.9 .4536	120.3 .4708	128.4 .5025	162.6 .6364	172.3 .6744	184.9 .7237	198.0 .7750	218.7 .8560	236.8 .9268	255.5
Generator & generator sets	101.2 .3252	105.1 .3377	113.1 .3634	120.2 .3862	126.3 .4058	129.0 .4145	133.0 .4274	164.9 .5299	192.1 .6173	208.1 .6687	223.7 .7188	232.9 .7484	252.6 .8117	311.2
NIDA/SIDA composite	101.4 .3887	106.4 .4078	112.6 .4316	117.6 .4507	120.3 .4611	124.0 .4753	129.4 .4960	162.9 .6244	172.9 .6627	183.7 .7041	196.8 .7543	213.8 .8195	235.0 .9007	260.9

*These items are used for the NIDA/SIDA composite index

Table 2 — ID quarterly inflation index for industrial distributors

Product category	Current qtr to 9/81	Dec. 1980	% of inflation 9/81 vs. 12/80	Inflation annualized 1981	4th qtr 1980	4th qtr 1979	Annual inflation 1982
Industrial oil	359.0	327.2	9.7	12.9	327.2	275.1	18.9%
Prepared paint	251.0	241.7	3.8	5.1	241.7	210.7	14.7%
*Rubber belts & belting	297.7	271.3	9.7	12.9	271.3	238.1	13.9%
Other misc.rubber products	259.4	236.4	9.7	12.9	236.4	216.2	9.3%
Plastic construction products	156.6	153.7	1.9	2.5	153.7	148.3	3.6%
Finished steel products	343.7	311.4	10.4	13.9	311.4	288.5	7.9%
Wire & cable	208.9	214.0	– .2	– .3	214.0	203.0	5.4%
Copper wire & cable	201.4	201.6	– .3	– 4	207.6	197.1	5.3%
Aluminum wire & cable	240.7	234.0	2.9	3.9	234.0	219.6	6.6%
Builders hardware	260.1	242.7	7.2	9.6	242.7	215.6	12.6%
Hand tools	319.8	291.8	9.6	12.8	291.8	256.7	13.7%
Misc. metal products	274.5	258.4	6.2	8.3	258.4	239.9	7.7%
Industrial safety eq.	124.4	117.9	5.5	7.3	117.9	111.4	5.8%
*Bolts, nuts, screws & rivets (fasteners)	267.2	251.0	6.5	8.7	251.0	240.1	4.5%
*Power-driven hand tools	213.4	199.0	7.2	9.6	199.0	180.3	10.4%
Welding machines & eq.	265.7	249.1	6.7	8.9	249.1	231.5	7.6%
*Cutting tools & accessories	261.1	240.6	8.5	11.3	240.6	233.6	3.0%
Precision measuring tools	225.1	214.3	5.0	6.7	214.3	190.9	12.3%
*Abrasive products	278.6	261.5	6.5	8.7	261.5	233.6	11.9%
Metal cutting machine tools	348.3	330.6	5.4	7.2	330.6	288.2	14.7%
Metal forming machine tools	387.4	363.2	6.7	8.9	363.2	318.1	14.2%
Pumps, compressors & eq.	330.1	304.7	8.3	11.1	304.7	259.1	17.6%
Fluid power eq.	225.7	211.3	6.8	9.1	211.3	184.5	14.5%
*Industrial material handling eq.	282.4	261.7	7.9	10.5	261.7	240.6	8.8%
*Mechanical power transmission eq.	300.7	279.4	7.6	10.1	279.4	245.8	13.7%
*Valves & fittings	314.4	296.5	6.0	8.0	296.5	268.4	10.5%
Ball & roller bearings	318.0	279.0	14.0	18.7	279.0	237.7	17.4%
Plain bearings	277.5	271.5	2.2	2.9	271.5	248.9	9.1%
Wiring devices	310.7	277.3	12.0	16.0	277.3	257.0	7.9%
Electrical instruments	242.8	210.8	15.2	20.3	210.8	191.5	10.1%
Electric motors	283.1	255.5	10.8	14.4	255.5	236.8	7.9%
Generators & generator sets	336.2	311.2	8.0	10.7	311.2	252.6	23.2%
NIDA/SIDA composite	280.8	260.9	7.6	10.1	260.9	235.0	11.0%

*Included in NIDA/SIDA composite